



Economic Development Incentives 2025

JLARC evaluation of economic development incentives

- Appropriation Act directs JLARC to evaluate economic development incentives on an ongoing basis
 - Spending and business activity
 - Economic benefits
 - Effectiveness

2025 Appropriation Act, Chapter 725, Item 25(E).

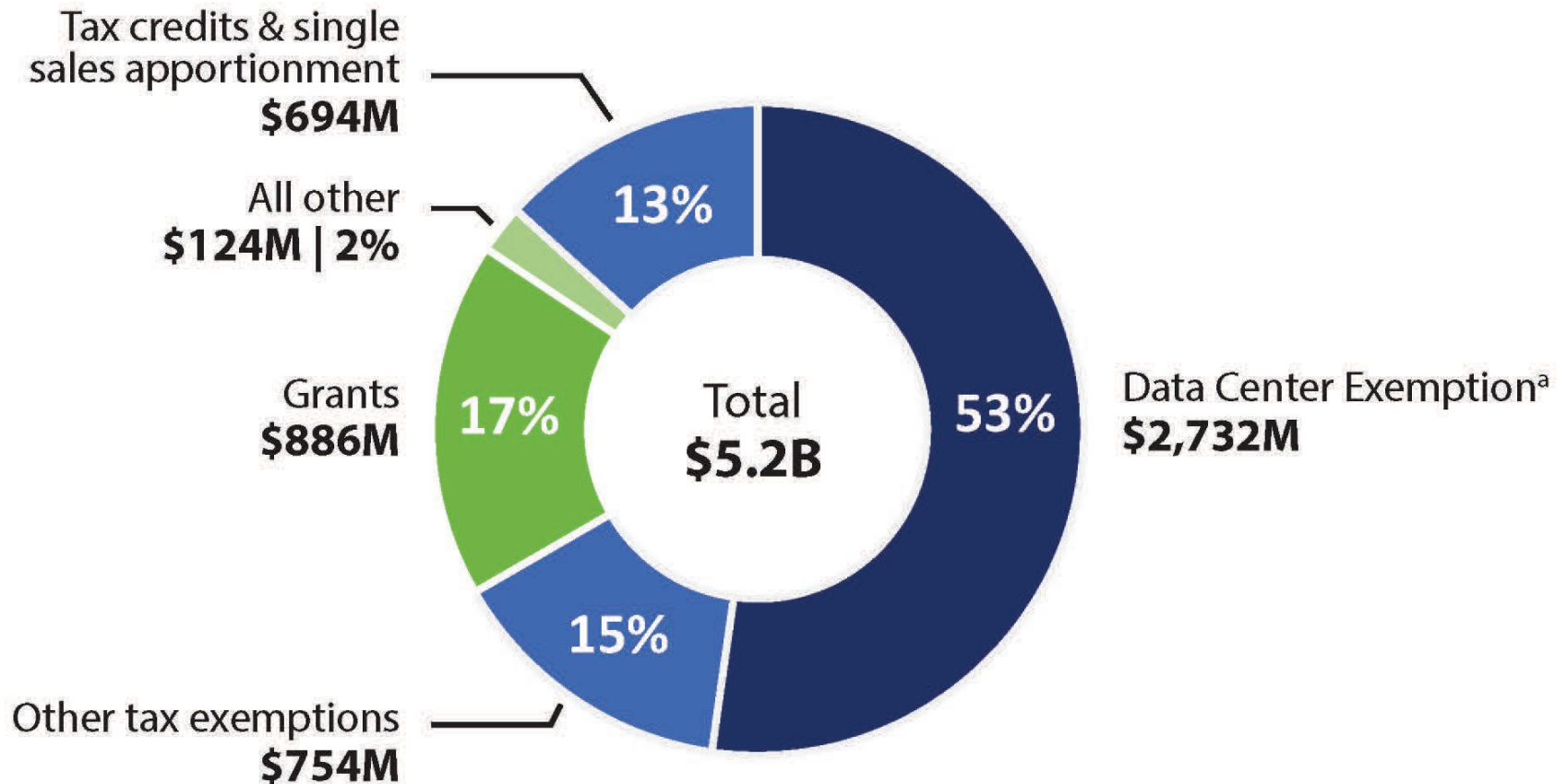
In brief

Virginia spent \$5 billion on 97 economic development incentives from FY15 to FY24.

Better estimates of data center exemption spending and data center growth resulted in dramatic increases in incentive spending estimates since FY19.

A majority of the incentives adopted since 2018 have been custom grants, which are relatively large and account for a large share of incentive program funding.

Virginia spent \$5.2 billion on economic development incentives (FY15–FY24)



Adjusted for canceled projects, recaptures, and award reductions. ^a FY21–FY24.

Ten incentives account for 77 percent of spending on incentives (FY15–FY24)

Incentive	Spending	% of spending
Data Center Exemption (FY21–FY24)	\$2,732M	53%
Manufacturers' single sales factor apportionment	245	5
Railroad Common Carriers Exemption	193	4
Commonwealth's Development Opportunity Fund	158	3
Coalfield Employment Enhancement Tax Credit	134	3
Airline Common Carriers Exemption	128	2
Real Property Investment Grant (Enterprise Zone)	108	2
Virginia Business Ready Sites Program	98	2
Printed materials for out-of-state distribution exemption	97	2
Tourism Development Financing Program	95	2
Subtotal	\$3,988M	77%
All others	\$1,202M	23%
TOTAL	\$5,191M	100%

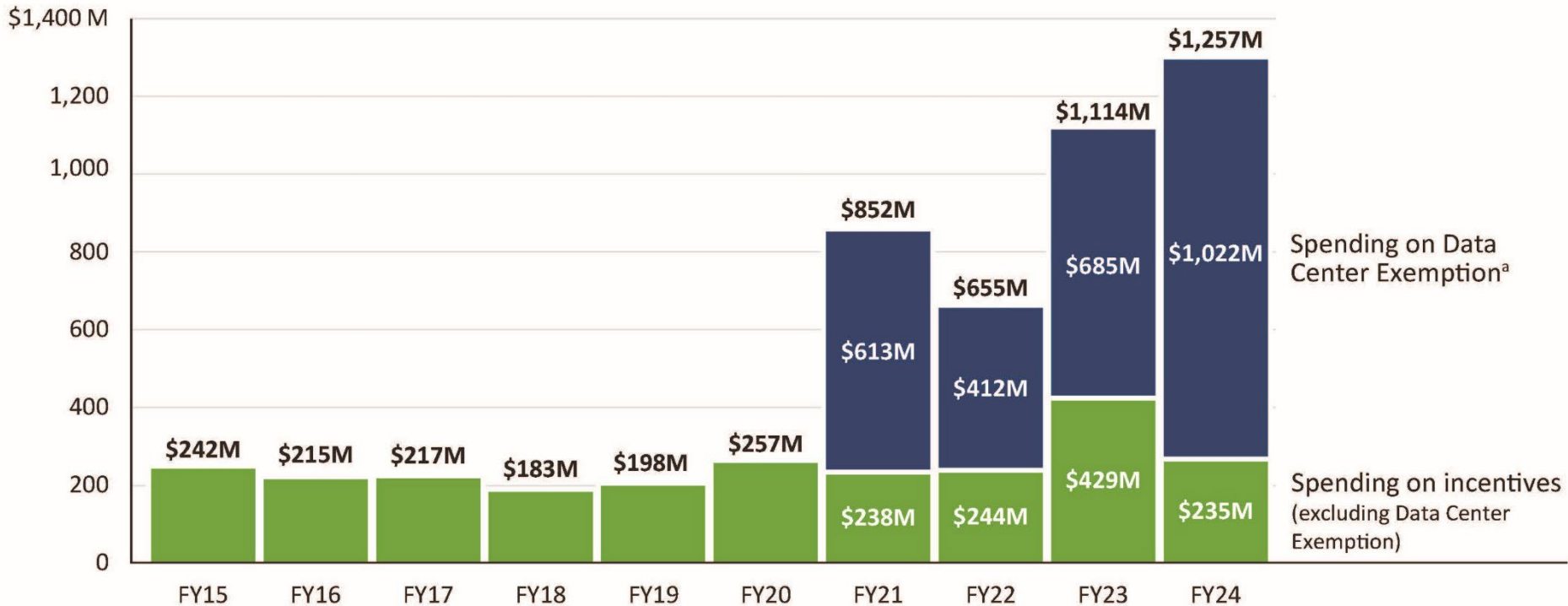
Adjusted for canceled projects, recaptures, and award reductions. Exempted amounts are estimates and exclude amounts exempted from the 1% local sales tax and the regional sales taxes.

Majority of new economic development incentives since 2017 have been custom grants

CUSTOM INCENTIVES	Amazon Web Services	Amazon HQ2 Micron	Volvo Morgan Olson Merck	Microsoft Siemens Gamesa CMA CGM	CoStar Blue Star Manufacturing Rocket Lab	Amazon Web Services LEGO	Wells Fargo
	2018	2019	2020	2021	2022	2023	2024
OTHER INCENTIVE PROGRAMS	Venture capital account subtraction	Virginia Talent Accelerator Program	Governor's New Airline Incentive Fund				
	New Company Incentive Program						
	Aircraft repair parts exemption						

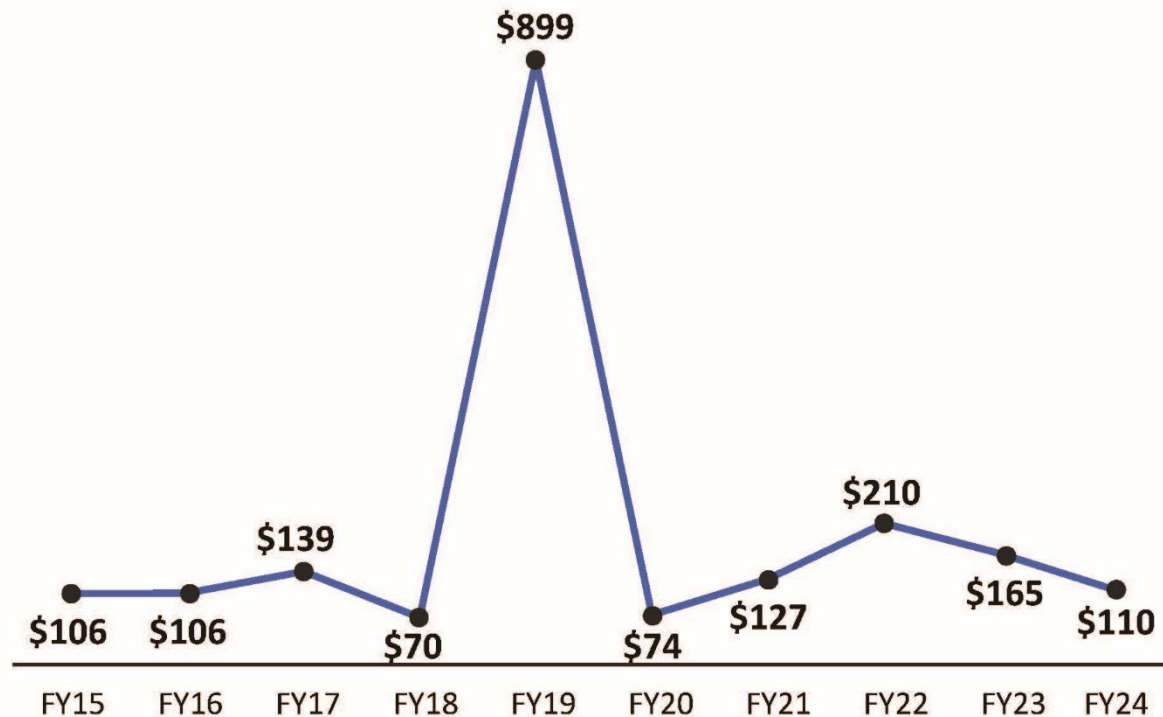
Cloud Computing Infrastructure Grant (AWS) was awarded, but the performance agreement has not been signed and is not included. Four custom grants (Micron, Volvo, Siemens Gamesa, and Blue Star) were canceled.

Spending on incentives (even without data center exemption) increased after FY19



Adjusted for canceled projects, recaptures, and award reductions. Spending on other incentives was minimal in FY13 and FY14. Numbers may not sum because of rounding. ^a FY21–FY24.

Large custom grant awards in FY19 will lead to increased grant spending in future years (\$M)



Custom grants were awarded in FY19 (\$830 million), FY21 (\$39 million), FY22 (\$114 million), and FY24 (\$45 million). Custom grants are paid incrementally over time as projects meet performance milestones.

5,000 projects were awarded \$2.0 billion in grants (FY15–FY24)

Grant program	Award amount	# of awards	Annual avg. amount
Major Headquarters Workforce Grant (Amazon HQII)*	\$750M	1	n.a.
Commonwealth's Development Opportunity Fund	210	297	\$21M
Real Property Investment Grant (Enterprise Zone)	108	1,496	11
Virginia Business Ready Sites Program	98	44	12
Tobacco Region Opportunity Fund	80	186	8
Precision Plastic Manufacturing Grant (LEGO Group)*	75	1	n.a.
Semiconductor Manufacturing Grant (Micron)*	70	1	n.a.
Virginia Jobs Investment Program	64	647	67
Virginia Investment Performance Grant	54	64	5
Governor's Motion Picture Opportunity Fund	54	42	5
All other grants	443	2,006	106
TOTAL	\$2,006M	4,988	\$337M

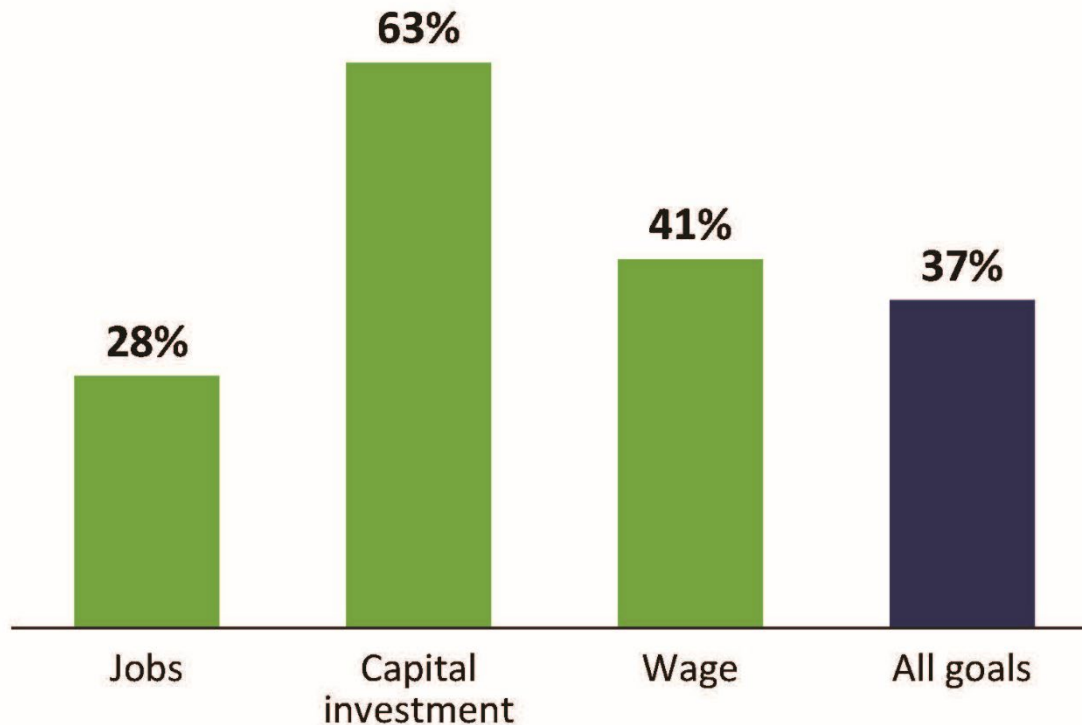
Awards not adjusted for canceled projects, recaptures, and award reductions. Numbers may not sum because of rounding. *One-time custom grant. The Micron custom grant was canceled.

Completed grant projects created nearly 59,000 jobs and \$16B in business investment (FY15–FY24)

Grant programs	Jobs created	Spending / investment
Four largest programs (jobs created or spending/investment)		
Virginia Jobs Investment Program	33,964	\$5.7B
Commonwealth's Development Opportunity Fund	14,693	4.0
Enterprise zone grants (Job Creation Grant <u>and</u> Real Property Investment Grant combined)	12,125	3.0
Tobacco Region Opportunity Fund	3,869	1.0
Total, all grant programs (unduplicated)	59,311	\$15.8B

Completed projects represent \$464 million in awards and 3,570 projects. Economic impact analysis assumes that majority of job creation and capital investment by incentive recipients would have occurred without incentives, as indicated by research.

Majority of completed projects met their capital investment goals but not job and wage goals



(FY15–FY24)

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